



Govt of NCT, Delhi  
Engineer-in-Chief



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No. E-IN-Chief/PWD/Arbitration Cases/ 4392

Date: 22/11/21

### OFFICE MEMORANDUM

**Subject: Reducing Arbitration Cases by efficient Contract Management.**

References are being received from various Zones over the increasing arbitration cases with high value claim in PWD, GNCTD. In view of the above a need has been felt for systemic improvement and issuing suitable guidelines for efficient contract management. Various issues related to hindrance free sites, deviations in contract, delay in sanction of deviations and extra items, delay in submission of RPE, delay in finalization of bills and release of Security Deposits, etc have been highlighted, in the various arbitration awards. Sufficient provisions for efficient contract management exist in the CPWD Works Manual 2019 and standard operating procedures. However, the following is reiterated for strict compliance by all the Executive Engineers and field officers.

**(1) Avoiding deviations and timely sanction of deviated and extra items/substituted items.**

Deviations in quantities and execution of extra items/substituted items should be avoided as far as possible. Proper reasons for deviations/extra items/substituted items, should be recorded. In case, there is change in scope, drawings, specifications etc, the items should be sanctioned within the time limit prescribed in General Conditions of Contract as per delegation of financial power to avoid claims at later date.

**(2) Timely submission of Revised Preliminary Estimates.**

As per Para 3 1.4(2) of CPWD Works Manual-2019 "No excess expenditure over A/A & E/S amount is permissible without approval of the Competent Authority/ Client Department and therefore before incurring excess expenditure the client department will be informed and approval taken for the same."

Further, as per SOP No 3/6, 1(v) Whenever the expenditure is anticipated to exceed the A/A and E/S amount, a revised preliminary estimate is submitted to the client departments well in time during the execution of work'.

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it is therefore reiterated that RPEs Should be submitted to client department/Competent Authority as soon as excess expenditure is anticipated and the client department should be pursued regularly for expeditions sanction of RPE.

**(3) Timely payment of Final Bills.**

It is prescribed in General Conditions of Contract for a period of 2 to 6 months depending upon the tendered value of the work. The delay in finalization of final bill may result in claims for payment of interest etc by the contractor. It is therefore reiterated that the final bills should be finalized and paid as per provisions of contract. However, in cases of non-availability of Budget client department should be pursued for early release of budget.

**(4) Timely refund of the security deposit after completion of the works.**

Procedure for refund of security deposit after completion of works has been prescribed in the General Conditions of Contact. In case of delay in payment of Final Bill due to unforeseen circumstances SOP No 5/29 (1) prescribes that:

'In case of delay of payment of Final Bill the concerned authority not below the rank of SE makes an assessment of the likely recoveries against the contractor, and order release of as much security deposit as possible unless he/she has reasons to withhold the release of the security deposit to the contractor These reasons are recorded by him/her in writing.

Therefore, it is reiterated that the security deposit may be released timely as per the prescribed procedure in the contract and in case of delay in payment of final bill, approval of competent authority as per above SOP may be taken for timely release of security deposit to avoid claims of interest payment due to delayed release of security deposit.

**(5) Client department to be kept in the loop since the beginning of the dispute.**

Suitable instructions for keeping the client departments in the loop from the start of disputes are available in SOP 5/31 (1)(iv) which is reproduced as under:

'The Engineer-in-Charge shall ensure that the client departments are invariably kept informed about the entire dispute resolution process from the start of dispute till the payment of arbitration award. This shall include appointment of arbitrator, details and amount of claims, copy of award, processing and acceptance/challenge of award etc. so that payment/authorisation of budget is released by the client departments without delay.

It is therefore reiterated that client department be kept in loop since start of dispute with the Contractor relating to execution of works. Above instructions are applicable for deposit works of Central Govt departments, Autonomous bodies and also Delhi Govt departments where work is executed through budget authorisation.

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6) Ensuring hindrance free land/site, approval of building plan with drawings, approval of forest department for cutting trees etc. before award of work.

Some of the hindrances are attributable to the Department, in which Contractors claims extra overheads in arbitration claims due to delay in execution of work. As such, it must be ensured that before award of work hindrance free site is available.

All the Executive Engineers and his team are directed to comply the above directions strictly, in addition to various provisions stipulated in the CPWD Works Manual 2019, GFR-2017 and other instructions issued from time to time for efficient contract management to avoid Arbitration claims and unfruitful expenditure.

This issues with the prior approval of Engineer-in-Chief/Special D.G. PWD, GNCTD.

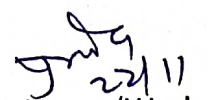
  
Director(Works)

To

All the Executive Engineers, PWD, GNCTD

Copy to:

1. Secretary(PWD), GNCTD , PWD Secretariat, Delhi Secretariat, I. P. Estate, New Delhi for kind information please.
2. All the Principal Chief Engineers/Chief Engineers, PWD GNCTD , MSO building, I.P.Estate, New Delhi with the advice to ensure efficient contract management on the part of Executive Engineers , PWD.
3. All the Superintendent Engineers, PWD, GNCTD, with the advice to ensure efficient contract management on the part of Executive Engineers , PWD to ensure reduction of arbitration cases and timely completion of work.
4. PWD website

  
Director(Works)